

Maintaining Profits During a Bear Market

How we prepare our businesses for another potential bear market can mean the difference between thriving or struggling. Let's revisit some keys to maintaining a financially viable company when the economy slows.

SAFEGUARD CASH RESERVE

Have a contingency plan to maintain cash reserves. For unforeseen cash crunches, you may save 10% of your business cash in a high-yield saving account. This way, you can avoid relying on lines of credit from your bank with high-interest rates.

BACKUP PLANS

Have backup plans if a critical supplier goes offline, faces unexpected delays, or increases prices excessively, impacting your profits. Securing secondary options for critical supply chain components is playing it smart.

EXPANSION LIMITS

Although you may have plans to expand your product or service offerings or increase your geographic market reach, consider whether the return on investment will warrant the capital needed to make the growth a success, it may make sense to move forward or wait for the economic slowdown. Moving too fast right now could over-extend your operation, and unforeseen circumstances may catch you off guard. Keep your eye on outside factors that are out of your control (inflation, unforeseen lockdowns, shipping delays, unexpected rising costs, cooling market sentiment, etc.).

RAISE PRICES

It might sound counter-intuitive to raise your prices in a slowing economy, but you'll need to fight inflation and cover the increasing costs of goods sold that are shrinking your gross margins.

Consider bundling products together to help justify a price increase in your customers' eyes. Optimizing your average order value will raise transaction amounts.

CUT BACK

Be sure to cut excess expenses. That might mean targeting your marketing to your top-performing channels and tabling the rest for the foreseeable future.

Perhaps you'll need to manage your business with fewer employee perks, like free lunches, and keep tabs on travel, meetings, etc.

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